

Message Text

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44

ACTION EA-14

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

L-03 H-02 PA-03 PRS-01 USIA-12 CEQ-02 SCI-06 EPA-04

RSR-01 /157 W

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R 220945 Z JUN 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 4765

UNCLAS TOKYO 7890

PASS TREASURY

E. O. 11652: N/A

TAGS: EFIN, JA

SUBJ: GOJ ECONOMIC POLICIES

SUMMARY : ON JUNE 21 PRIMIN TANAKA DETAILED GOV' S ECONOMIC POLICIES FOR JFY 73, HIGHLIGHTING MAJOR OBJECTIVES OF BALANCE OF PAYMENTS EQUILIBRIUM, IMPROVEMENT IN NATIONAL WELFARE AND STABILIZATION OF DOMESTIC PRICES. PRIMIN EXPRESSED CONFIDENCE FIRST TWO GOALS BEING ACHIEVED, WITH MOST CONCENTRATION NOW REQUIRED ON THIRD OBJECTIVE. ON SAME DAY DIR GEN OF ADMIN MANAGEMENT AGENCY TAKEO FUKUDA ALSO MADE SPEECH DISCREETLY BUT CLEARLY CRITICIZING POLICIES OF PRESENT GOVT, EMPHASIZING NECESSITY THAT DRASTIC MEASURES OUGHT TO BE TAKEN NOW TO DEAL WITH SERIOUS INFLATIONARY PROBLEM. HIGHLIGHTS OF PRESS REPORTS OF BOTH SPEECHES FOLLOW.

1. (A) AT A LUNCHEON SPEECH JUNE 21 PRIMIN TANAKA EXPLAINED THE GOVT' S ECONOMIC POLICIES FOR JFY 73. ITS MAJOR OBJECTIVES ARE TO (1) BRING BALANCE OF PAYMENTS INTO UNCLASSIFIED

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EQUILIBRIUM, (2) IMPROVE NATIONAL WELFARE AND (3) STABILIZE DOMESTIC PRICES. TANAKA SAID SOME SATISFACTORY RESULTS HAVE ALREADY BEEN ACHIEVED IN REACHING FIRST TWO OBJECTIVES. ON BOP, HE CITED DECLINE IN RESERVES AND FASTER RATE OF INCREASE IN IMPORTS THAN EXPORTS. ON TRADE WITH THE U. S. HE POINTED OUT THAT IN FIRST FIVE MONTHS 1973 EXPORTS UP ONLY 8.3 PERCENT WHEREAS IMPORTS INCREASED SIGNIFICANTLY BY 44.1 PERCENT OVER FIRST FIVE MONTHS 1972. NOTED THAT IN MAY JAPAN HAD \$8 MIL TRADE DEFICIT WITH U. S. THUS TRADE IMBALANCE WITH U. S. IS BEING CORRECTED TO SOME EXTENT.

B. PRIMIN CITED GOJ MEASURES TO IMPROVE NATL WELFARE, E. G. BUILD UP SOCIAL INSURANCE, IMPROVED HOUSING CONDITIONS, PROMOTING ENVIRONMENTAL IMPROVEMENTS AND INCREASE IN SOCIAL OVERHEAD CAPITAL.

C. PRIMIN SAID MUST NOW CONCENTRATE ON MEASURES TO STABILIZE PRICES. POSSIBLE MEASURES TO STABILIZE COMMODITY PRICES WOULD INCLUDE ANOTHER RAISE IN OFFICIAL DISCOUNT RATE DURING THIRD QUARTER, ADVANCE ISSUANCE OF GOVT BONDS AND DELAY IN OUTLAYS APPROVED IN PRESENT NATIONAL BUDGET. PRESS REPORTS PRIMIN AS SAYING " ABOVE ALL, TIME IS NOT YET RIPE FOR GOVT TO OBTAIN A NATIONAL CONSENSUS ON THE HIGHLY CONTROVERSIAL " INCOMES POLICY" PROBLEM AND I STRONGLY FEEL THAT ADOPTION OF THE POLICY MUST BE AVOIDED BY ALL MEANS."

D. DURING QUESTION/ ANSWER SESSION TANAKA COMMENTED ON MONETARY REFORM. REPORTEDLY HE THOUGHT NO RPT NO CONCRETE ARRANGEMENT FOR MONETARY REFORM WOULD BE DECIDED AT THE NAIROBI MEETING. DEVELOPING NATIONS LIKELY TO URGE THAT MAJOR CURRENCIES RETURN TO FIXED RATE AT EARLIEST POSSIBLE DATE SO THEY CAN HAVE FAVORABLE CONDITIONS IN EXPORTING RAW MATERIALS TO INDUSTRIAL NATIONS. COMMENTING ON SPECULATION ABOUT POSSIBILITY OF CHINA' S APPLICATION FOR IMF MEMBERSHIP, TANAKA REPORTEDLY SAID " CHINA SHOULD PARTICIPATE IN THE IMF IN ORDER TO ORGANIZE A VIABLE, GLOBAL MONETARY ORDER."

2.(A) TAKEO FUKUDA, CURRENTLY DIR GEN OF ADMIN MANAGEMENT AGENCY, ALSO MADE SPEECH ON JUNE 21. PRESS REPORTS HE CAREFULLY PREFACED REMARKS WITH STATEMENT THAT HE WAS UNCLASSIFIED

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SPEAKING AS INDIVIDUAL AND NOT AS CABINET MINISTER. REPORTEDLY STRESSED (1) DRASTIC MEASURES MUST BE TAKEN QUICKLY TO DEAL WITH INFLATION WHICH IS COUNTRY' S MOST CRITICAL OF PRESENT ECONOMIC PROBLEMS, (2) ECONOMIC GROWTH RATE MUCH TOO HIGH AND MUST BE REDUCED IF NEW NATIONAL PLAN IS CARRIED OUT WITHOUT AMENDMENT.

B. FUKUDA NOTED INFLATION HAD BECOME NOT ONLY ECONOMIC AND SOCIAL PROBLEM BUT IMPORTANT POLITICAL ISSUE AS WELL. EFFECTS NOW BEING FELT BY PUBLIC IN INCREASED COSTS OF FOOD, EDUCATION, HOUSING, ETC. INFLATIONARY TENDENCIES ALSO MAKING DIFFICULT LONG- RANGE PLANNING BY BUSINESSES. IN THIS CONTEXT FUKUDA REPORTEDLY CRITICIZED TANAKA GOVT' S ANNOUNCED LONG- RANGE ECONOMIC POLICIES AND RECENT MEASURES DEALING WITH IMMEDIATE PROBLEMS. HE STATED SUCH A PROGRAM WOULD RESULT IN WORLDWIDE ECONOMIC WAR FOR ACCESS TO NATURAL RESOURCES.

C. ON DOMESTIC FRONT HE REPORTEDLY URGED ADDITIONAL AND IMMEDIATE MEASURES TO COPE WITH HIGH PRIORITY PROBLEMS SUCH AS NEED FOR POLLUTION CONTROL, NEW TRAFFIC AND TRANSPORT SYSTEMS AND OTHER INFRASTRUCTURE IMPROVEMENTS WHICH BEAR DIRECTLY ON PUBLIC LIVING CONDITIONS. HE AGAIN WARNED OF DANGER OF FURTHER RAPID INFLATION AND URGED GOVT TO CONSIDER DELAYING PERSONAL INCOME TAX CUTS PROPOSED FOR NEXT YEAR IN LIGHT OF THIS SITUATION.
SHOESMITH

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TOKYO07890
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730630/aaaajquz.tel
Line Count: 140
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 04 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04-Oct-2001 by phillir0>; APPROVED <28 FEB 2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980227
Subject: GOJ ECONOMIC POLICIES
TAGS: EFIN, JA
To: EA
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005